



U.S. Natural Gas Markets: Regulation, Prices and Outlook

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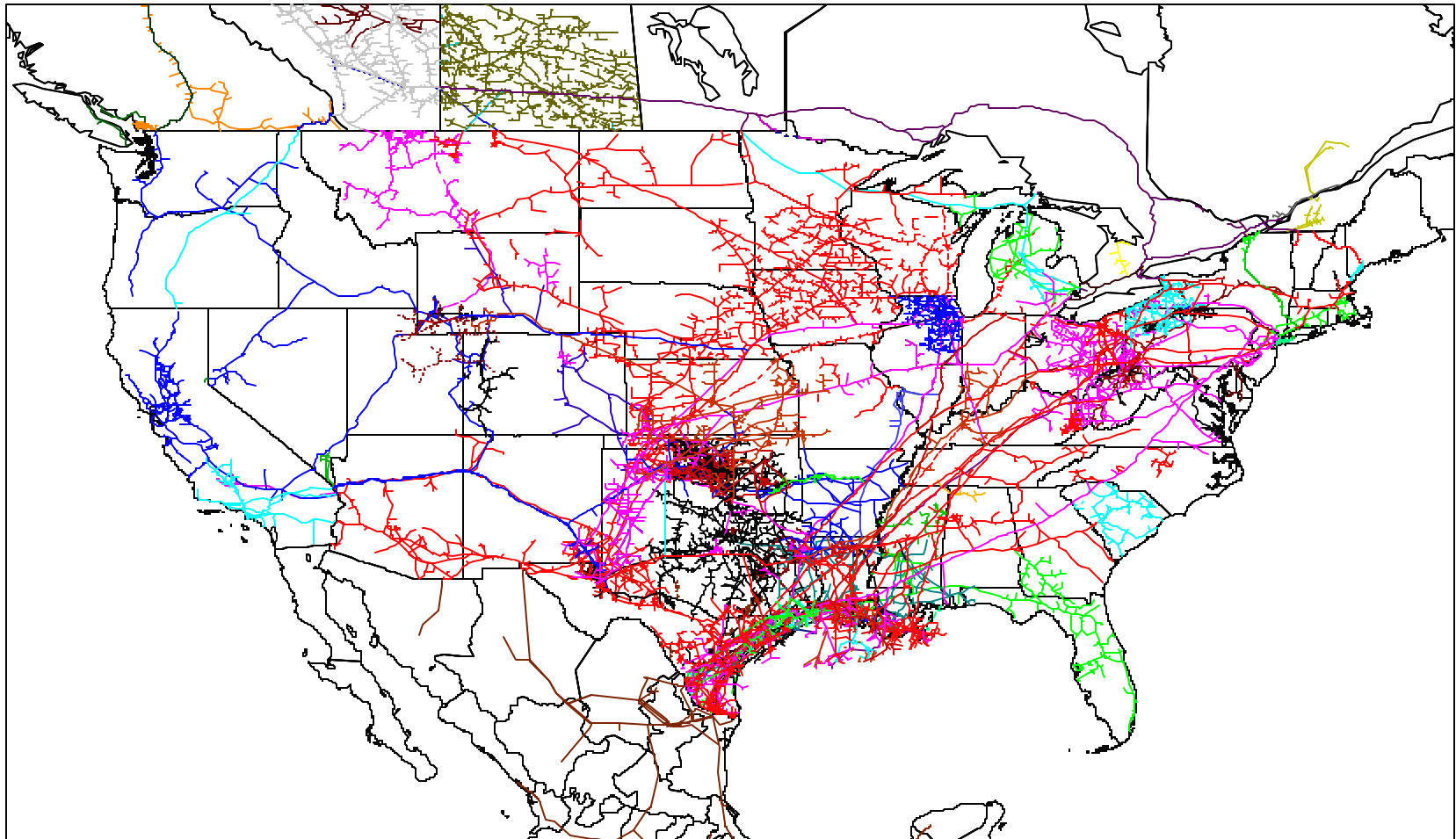
U.S. Department of Energy

September 2001

The U. S. Natural Gas Industry At A Glance

	<u>Participants</u>	<u>Miles of Pipe</u>	<u>Regulatory Regime in 2000</u>
Producers	8,000 Independents 24 Majors	0	Phased price deregulation Begun in 1979, completed in 1989
Pipelines	160	285,000	Federal Energy Regulatory Commission (FERC)
Natural Gas Marketers	260	0	Unregulated
Local Gas Utilities	1500	833,000	State Utility Commissions
End Users	Residential 53 million Commercial 4.5 million Industrial 40 thousand	0	Unregulated
	Electric Utilities 500	0	Interstate - FERC Intrastate - State Commissions

A Vast Network of Pipelines Provides Interstate Transportation



Evolution of the U.S. Natural Gas Industry

Era of Development: 1910 - 1950

Era of Regulation: 1950 - 1970's

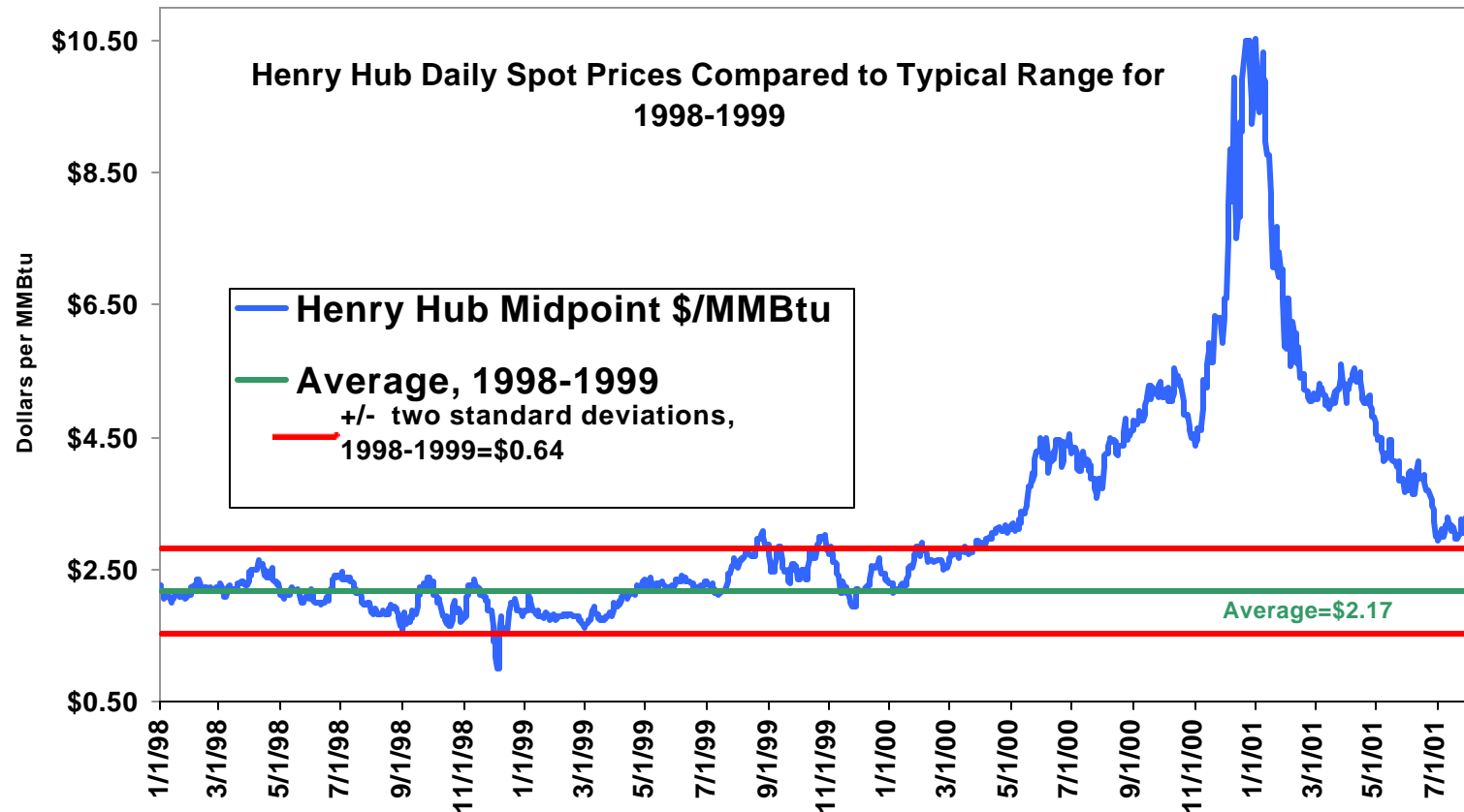
Era of Market Inefficiency: late 1970's - mid 1980's

**Era of Adjustment/Restructuring/Deregulation:
late 1980's - 2000**

Era of Market Inefficiency: Late 1970's - Mid 1980's

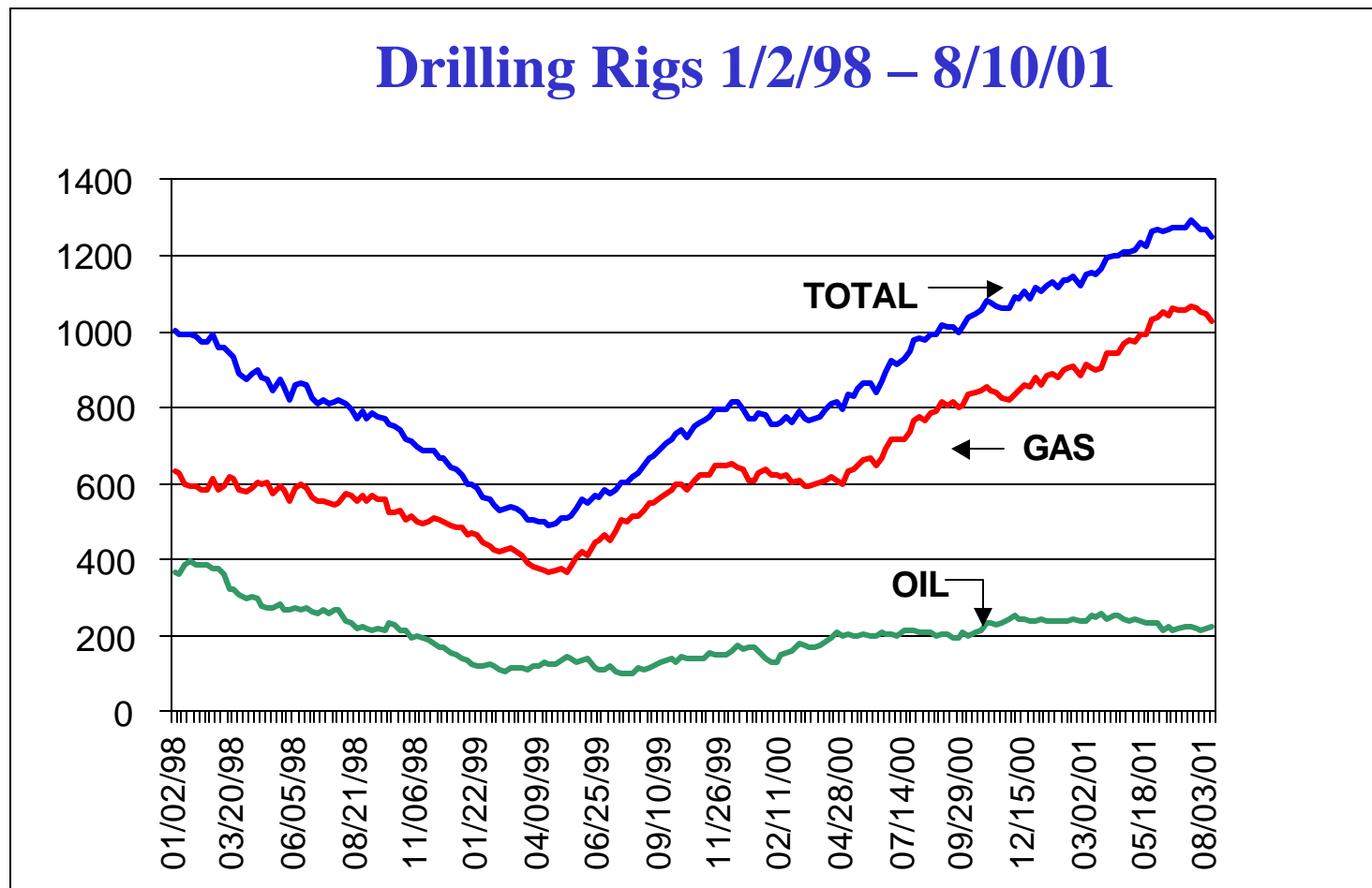
- Market signals not transmitted - prices not market driven
- Curtailments, followed by market restrictions
- Growing perception of supply scarcity, then supply “bubble”
- Disincentives to efficiency improvements

Natural Gas Spot Prices



Source: Financial Times Energy, Gas Daily

Rigs Drilling Gas Wells Are At All-Time Highs



Natural Gas Prices - 2000

<i>Source</i>	<i>Volume (TCF)</i>	<i>Average Price</i>
Canada	3.55	\$3.90
LNG Imports	0.200	\$2.73-\$3.93
Domestic/ Henry Hub	Large	\$4.32